EXHIBIT H

MAJOR ISSUES
PRELIMINARY DIVIDEND RECOMMENDATIONS
1989 SCALE

This memorandum identifies the major issues that confront us in formulating
the 1989 Dividend Scale, and sets forth the recommendations that we will
probably make if we intend to maintain dividends at approximately their
current level. The issues can be broken down into four major categories.

1. Short-Term Financial Impact
2. Certain Matters of Theory
3. Marketing Concerns and Constraints
4. Innovative Strategies

<u>Short-Term Financial Impact.</u> According to the first quarter projection
submitted to the Controller's Dept. the projected 1988 U.S. MLIC Ordinary
earnings are $82 million GAAP (down from $250 million in 1987), and -$85
million Statutory (down from $108 million). The projection assumes a
continuation of the 1988 Dividend Scale. Each $100 million change in the
scale (about a 9% change) would impact GAAP earnings by about $40 million in
1988 and $60 million in 1989. Statutory earnings would be impacted by $88
million in 1988 and $12 million in 1989. The basic short-term financial
question is whether we remain comfortable with the thin profits that a
continued scale will generate. If we should reduce dividends, then by how
much?

Obviously, the question of financial sufficiency depends on the underlying
experience. For example, we may be quite confident that the thin profits are
a temporary event that will be relieved with an expected closing of the
expense gap. Or, the underlying strength of the deferred income assets may
be so great that the thin profits are almost an accounting anomaly. Or, the
thin profits may be entirely consistent with the conclusion that the scale is
not sustainable given the emerging experience. And, there is the fundamental
question of what, exactly, is the "right" level of profits.

Working from the 1987 GAAP Earnings by Source, the first quarter 1988
projection, and some crude extrapolations and adjustments, we can estimate
the projected earnings by source on US Ordinary Traditional Life.

	1987	1988	Change
Expense Margin	328	280	- 48
Interest Margin	67	- 70	-137
Mortality Margin	85	98	12
Other Margins	61	64	4
Operating Margin	541	372	-169
Less Overhead Expenses	409	409	0
Operating Profit	132	- 37	-169
Surrender Gain	48	50	3
Earnings on Surplus	73	69	- 4
Total Profit	253	82	-171

These breakdowns are still crude, but the basic story is clear. The
Operating Margin shown here includes over $100 million on Accidental Death,

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Extended Term and other "non-dividend" coverages, so the profit on the
dividend paying business is that much less.

If we intend to maintain the current overall level of dividends, our strategy
will be two-fold. First, we will identify "non-dividend" actions that can
improve the earnings levels. Second, we will take the steps necessary to
assure ourselves that dividends are sustainable despite the low apparent
earnings. These will be set forth in our Final Recommendations.

There are "non-dividend" actions that can improve 1988 GAAP earnings from the
level indicated in the first quarter projection. Appendix A shows how
leveraged some of the margins are. We plan to reduce expenses by about $20
million (4%) through modifications to the compensation plan and other
savings. Also, we feel that we could increase investment income by as much
as $80 million (5%) by taking, say, $250 in capital gains and $30 million in
dividends from our subsidiaries.

Also, with the expense and investment strategies that are being developed, we
hope to establish that the overall level of dividends is sustainable. In
other words, we hope to establish that the low GAAP profit levels are
transitory and can be viewed as an investment in the future. Our current
work on the expense gap suggests that some increase in the expense revenues
will be necessary, but we would hope to use increases in interest credits to
maintain the overall dividend level.

To argue that interest credits can be maintained or increased, in spite of
the declining GAAP Interest Margin, we must refer back to the real strength
of the deferred income assets. We can tolerate the negative margin as long
as we are confident that the real rate of increase in the value of the assets
is consistent with the amounts credited in the dividends. In measuring this
"real rate of increase", the question is not whether the market value, per
se, is growing, because the market value could decline (while the interest
credit is guaranteed and non-forfeitable.) The question is, what is the
asset value that we are not "actuarially confident" (95%? 99%?) can be
realized? We should be confident that the projected GAAP returns on the
deferred income assets will soon exceed the credited rate. Factors that
determine our "confidence" would include specific reviews of the individual
properties, and a sense of the ease and availability of asset harvesting.

A preliminary analysis suggests that we can be "actuarially confident" of
significant asset values in excess of current GAAP book values. On real
estate and joint ventures, the present estimated excess of market value over
book is $1.6 billion. Although a more precise quantification and tracking
mechanism is necessary, I would expect that any sort of reasonable harvesting
program will enable us to be very confident of at least 25% of this amount.
In this way, we could maintain, or even increase, most interest credits.

Whatever the circumstances, our current thinking is that the 10% credited
rate on new illustrations will probably not be supportable.

Certain Matters of Theory. The main issues here involve the treatment of
taxes and withdrawals, and the matter of "interest on free surplus".

For issues through 1987, the Internal Revenue Code allowed us to calculate
tax gain using reserves that exceeded the cash value. For certain plans

where this was the case (including some 1987 Portfolio products), we took advantage of this to credit the tax savings in the dividend formula. For 1988 and later issues, however, the tax reserve cannot exceed the cash value. The marginal taxes on the policies has increased, and this should be reflected in the dividends.

With respect to withdrawals, there is the question of whether to credit policyholders with "surrender gains". We did this in the 1987 Portfolio. But we rethought things with the 1988 Scale, and decided that any gains on withdrawals are illusory and should not be reflected in the dividend. (The gains are illusory because the release of liability on withdrawal overstates the "savings". It does not reflect the real loss in future operating margins -- the future "capacity to carry non-direct expenses".) Also, we felt that there are fundamental instabilities in "lapse supported" pricing.

I now feel that some middle ground might be supportable. In theory, we should be able to structure our pricing so that "less" of the total benefit accrues to those who surrender, and "more" accrues to those who remain. Specifically, if we have two blocks of business with different patterns of surrender values, but that are otherwise identical and that are experiencing the same rate of surrender, we should be able to pay higher annual dividends to those in the "low surrender value" block. Furthermore, to the extent that the measured lapse reflects transfers to Extended Term (and not Cash Surrenders), there is probably a real increase in "capacity".

In the 1988 Dividend Scales, we significantly reduced the use of "interest on free surplus" in the dividend formula, and we anticipated further elimination in future scales. "Interest on free surplus" was not intended to be permanent when it was introduced in 1970. We view it as a subsidy transfer from surplus to operations, and we now prefer to use more refined mechanisms (notably asset segmentation) to manage the balance between operations and surplus. Continued elimination of "interest on free surplus is expected.

These refinements are important, and they impact new business illustrations (see below) and the balance among blocks. However, they will not have a substantial aggregate financial impact.

Marketing Concerns and Constraints. In refamiliarizing the field force with our traditional portfolio, we have been emphasizing (among other things), the positive aspects of the "portfolio rate philosophy", particularly in a declining interest environment. A draft field release is attached as Appendix B. The products, by and large, are viewed as competitive, and there are indications that some of our "new money" competitors will be dropping their dividend scales. We can continue to support this marketing emphasis if we reflect the real strength of the deferred income assets.

Having recognized the goal of maintaining scales as a means of supporting the portfolio philosophy, I still have specific concerns regarding the 1987 Portfolio products. The 10% interest credit may be too high under any circumstances, and there is the tax problem, and the need to reduce or eliminate "interest on free surplus". These all point to a scale reduction on new illustrations. We intend to restructure the portfolio for 1989 through banding, so we have the ability to differentiate inforce 1987-88 business from 1989 new business, in a way that minimizes the perceived impacts.

If the financial circumstances warrant an overall dividend reduction, some
approaches are probably more palatable than others. To a recent purchaser,
for example, a reduction in the "AI on AI" rate will not be as visible as a
reduction in base dividends. Of course, "total cash value" and "APP year"
would still be impacted. If expense revenue factors must be increased, the
"per policy" charges will impact the new business less than the "per premium"
charges.

One of the most obvious impacts of a dividend reduction will be to increase
the illustrative APP year. We should absolutely try to minimize the number
of cases in which the APP year goes up by two or more. Appendix C shows the
competitive impacts of certain dividend reduction strategies.

<u>Innovative Strategies.</u> Here, I have two specific ideas, but more are
possible. First, we can consider reducing terminal dividends. A reduction
in scheduled terminal dividends will reduce our GAAP liability, as we
currently quantify it, thus providing a source of GAAP gain. This could be
done with no adjustments to any annual dividends, but the more refined
approach would be to increase the charges/reduce the credits as financial
circumstances require, while viewing the reduction in terminal dividend as a
release of required surplus, returnable to the policyholders via the annual
dividend. In this way, we can still control that the total annual dividends
are unchanged. Of course, there are some issues -- regulatory, tax,
administrative and actuarial. In the past, Board approval has been obtained
for terminal dividend strategies, and the state has been informed.

Another possibility -- one that would "soften the blow" of a reduction on
inforce policies -- would be a general offer enabling policyholders to switch
to an adjustable loan rate. In return for the higher loan rate, the
policyholder would benefit from an increase in the credited interest rate.
We now credit 8.35% on 5% loan business, and 9.15% on most adjustable loan
business. Even if we were forced to drop credited rates by 80 basis points,
policyholders in the 5% block could maintain their prospective dividends by
consenting to the change. (Of course, those not electing the change will see
their rates decline.)

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Michael Levin
Assistant Actuary
PI Financial Management

May 24, 1988

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APPENDIX A
DETAILS OF SOURCE OF EARNINGS

	1987	1988	Change
Expense Charges	476	506	30
- Direct	148	226	78
- Fixed	409	409	0
= Gain	-81	-129	-48
Interest Earnings	1661	1575	-86
- Credits	1594	1645	61
= Gain	67	-70	-137
Mortality Charges	756	804	48
- Claims	670	706	36
= Gain	85	98	12

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APPENDIX B

May , 1988

To: The Field Force

Re Market the Product not the Illustration

For fifty-odd years interest rates have been stable or going up. Dividend scales developed by companies changed infrequently, and for a long time actual experience proved to be better than illustrated. In recent years interest rates have backed off somewhat with the result that some of our competitors have had to reduce their dividend scales and similar action is imminent with many others.

A recent Tillinghast survey indicated that 10 out of 18 of our competitors will be lowering their dividend scales either this year or next. As a result, companies like Metropolitan, who rely on the portfolio rate philosophy, will have a major advantage over those companies that rely on "short term" strategies.

As more and more of our customers experience these reductions it is only natural for them to become more careful about accepting dividend scale projections at face value. Attempting to downplay their skepticism is not the best way to handle this situation. In the long run it is better to meet them halfway: get on their side and educate them regarding the products, dividend interest rate philosophies and the company (Metropolitan) you are recommending.

But with the variety of new products available, compounded with the complexity of sales illustrations, finding the policy that best suits your customer is a difficult task. It is essential that, in competitive situations, you be able to explain to your customers the difference. The interest rate philosophy a company uses greatly influences the rate of return they illustrate and pay.

To assist you in this matter we have prepared an interest rate philosophy explanation sheet accompanied by dividend scale trends of some of our major competitors. The time is right for us to seize the advantage... our competitive portfolio rate of return will position you and our products ahead of the competition.

Personal Insurance Marketing

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WHOLE LIFE COMPETITIVE POSITION 1988 vs. 1986

NONSMOKER LIFE – STD. (25M), PFD. (100M)

MALE 35

$25,000

Company	Premium	TCV(AI) Age 65	TCV/$1 of Premium 1988	TCV/$1 of Premium 1987	TCV/$1 of Premium 1986	Rank 1988	Rank 1987	Rank 1986
Metropolitan L95	$ 408.25	$ 41,075	100.61	100.61	89.72	6	6	7
Metropolitan Whole Life	360.75	38,450	106.58	106.58	100.67	4	4	6
Equitable	N/A							
J. Hancock	392.75	33,263	84.69	84.69	84.69	7	8	8
Prudential	340.75	35,216	103.35	103.35	[illegible]	5	5	3
Guardian	355.00	48,131	135.58	153.17	[illegible]	1	1	1
New England Life	347.25	[illegible]	122.30	[illegible]	159.35	2	3	2
Northwestern Mutual Life	405.75	46,093	113.60	[illegible]	134.19	3	2	4

$100,000

Company	Premium	TCV(AI) Age 65	TCV/$1 of Premium 1988	TCV/$1 of Premium 1987	TCV/$1 of Premium 1986	Rank 1988	Rank 1987	Rank 1986
Metropolitan L95	[illegible]	[illegible]	111.81	111.81	94.09	7	7	9
Metropolitan Whole Life	[illegible]	151,800	120.67	120.67	106.23	5	5	8
Equitable	[illegible]	148,714	109.75	109.75	127.73	9	9	6
J. Hancock	1,172 1st 3 1,458	161,732	114.36	114.36	114.36	6	6	7
Guardian	1,366	192,523	140.94	170.56	206.92	1	1	1
NYLIC	1,190	150,600	126.55	126.89	135.02	3	4	5
Prudential	1,273	140,864	110.66	110.66	173.84	8	8	2
New England Life	1,284	169,875	132.30	138.10	168.53	2	3	3
Northwestern Mutual Life	1,351	167,275	123.82	139.62	151.17	4	2	4

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APPENDIX C (PAGE 1)

1987 PORTFOLIO LIFE AT 85
TOWER SERIES -- MALE
STANDARD NONSMOKER -- 25K POLICY -- VALUES PER THOUSAND

1989 POSSIBLES (OTHER THAN IPS) REFLECT CHANGES THAT WOULD HAVE $50 MILLION IMPACT

X		CASE	GAP	APP	10 SCI	20 SCI	20 ICV	ICV 65
25	88	(ACT)	11.32	7	3.78	-0.42	474.42	3008.88
25	89	(IPS)	11.92	7	3.21	-0.07	452.10	2988.04
25	89	(INT)	11.82	7	[illegible]	-0.28	461.03	2921.61
25	88	(POL)	11.82	7	[illegible]	-0.21	[illegible]	2985.31
25	89	(PRM)	11.83	7	2.04	[illegible]	[illegible]	2925.06

X		CASE	GAP	APP	10 SCI	20 SCI	20 ICV	ICV 65
35	88	(ACT)	16.33	7	[illegible]	-0.34	632.35	1643.99
35	89	(IPS)	16.33	6	[illegible]	[illegible]	[illegible]	1887.82
35	89	(INT)	16.33	7	[illegible]	[illegible]	614.87	1571.60
35	89	(POL)	16.33	7	3.60	-0.12	624.76	1625.87
35	89	(PRM)	16.33	8	3.13	[illegible]	614.77	1601.93

X		CASE	GAP	APP	10 SCI	20 SCI	20 ICV	ICV 65
45	88	(ACT)	25.68	7	8.71	[illegible]	[illegible]	[illegible]
45	89	(IPS)	25.68	6	6.14	1.41	919.65	919.66
45	89	(INT)	25.68	7	8.89	[illegible]	913.70	[illegible]
45	89	(POL)	25.68	7	8.86	1.12	932.76	932.76
45	89	(PRM)	25.84	6	6.24	1.16	[illegible]	[illegible]

X		CASE	GAP	APP	10 SCI	20 SCI	20 ICV	ICV [illegible]
55	88	(ACT)	43.68	7	10.48	8.40	[illegible]	[illegible]
55	89	(IPS)	43.68	7	11.07	8.86	[illegible]	[illegible]
55	89	(INT)	43.68	7	10.67	8.88	[illegible]	428.91
55	89	(POL)	43.68	7	10.80	8.38	[illegible]	428.39
55	89	(PRM)	43.68	8	12.88	8.39	1361.61	427.83

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APPENDIX C (PAGE 4)

1987 PORTFOLIO WHOLE LIFE
EXEC SERIES -- MALE
PREFERRED NONSMOKER -- 100K POLICY -- VALUES PER THOUSAND

1989 POSSIBLES (OTHER THAN IPS) REFLECT CHANGES THAT WOULD HAVE $50 MILLION IMPACT

X	CASE	GAP	APP	10 SCI	20 SCI	20 ICV	ICV 65
25	88 (ACT)	4.37	[illegible]	[illegible]	-1.95	387.42	2667.45
25	89 (IPS)	4.37	[illegible]	[illegible]	-1.82	382.15	2501.82
25	89 (INT)	4.37	[illegible]	1.05	-1.81	376.67	2497.79
25	89 (POL)	4.37	[illegible]	[illegible]	[illegible]	385.21	2662.32
25	89 (PRM)	4.37	10	1.16	-1.78	377.81	2509.16

X	CASE	GAP	APP	10 SCI	20 SCI	20 ICV	ICV 65
35	88 (ACT)	12.81	10	[illegible]	-2.29	561.87	1518.21
35	89 (IPS)	12.88	10	[illegible]	[illegible]	535.26	1456.18
35	89 (INT)	12.88	10	[illegible]	-2.05	547.37	1450.13
35	89 (POL)	12.89	10	1.63	[illegible]	580.87	1512.43
35	89 (PRM)	12.89	10	1.77	-2.00	547.40	1477.73

X	CASE	GAP	APP	10 SCI	20 SCI	20 ICV	ICV 65
45	88 (ACT)	20.03	9	3.01	[illegible]	941.22	[illegible]
45	89 (IPS)	20.03	9	3.43	-1.55	918.88	[illegible]
45	89 (INT)	20.02	9	3.18	-1.54	918.13	[illegible]
45	89 (POL)	20.02	9	3.04	[illegible]	938.18	[illegible]
45	89 (PRM)	20.02	9	3.45	-1.42	917.64	[illegible]

X	CASE	GAP	APP	10 SCI	20 SCI	20 ICV	ICV 65
55	88 (ACT)	33.11	8	6.45	0.61	[illegible]	[illegible]
55	89 (IPS)	33.11	8	6.88	1.30	[illegible]	[illegible]
55	89 (INT)	33.11	8	6.19	1.33	[illegible]	356.81
55	89 (POL)	33.11	8	6.49	0.80	[illegible]	360.81
55	89 (PRM)	33.11	8	7.20	1.64	1209.97	350.15

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